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# ECONOMIC NEWSLETTER

## Russian Research Center
## Harvard University

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### Inflation Verges on Hyperinflation

The Soviets have begun to release new data about inflation. For many years they denied any such thing existed but now as money emissions increase in order to finance the budget deficit, it becomes more and more of the problem and more and more overt. There are indeed some who have begun to warn about hyperinflation. There is considerable reason for such worry. According to one recent report in Rabochaia tribuna food prices on the collective farm markets on June 1, 1990 were 23% above those during the same period last year. However in July the prices were 33% higher than in the previous July, in August 35%, in September 45% and then in October over 50%. Of course that does not encompass all prices but as fewer and fewer goods work their way through the official state distribution sector, then the prices in the peasant markets become all the more important. In addition the Soviet authorities have announced that the price of milk rose 15% in October compared to September. The price of eggs rose 55%.

We have included a table about the average price of selected agricultural products in various cities throughout the Russian Republic. What is particularly striking is the variation between different cities. Whereas the price of meat in the collective farm markets of Moscow is 20 rubles or more per kilogram, in Krasnoyarsk it is only 9 rubles per kilogram and in Volgagrad only 8 rubles per kilogram. There are similar fluctuations in the price of eggs, potatoes and all goods. This reflects recent observations that supplies which used to go first to Moscow and Leningrad now tend to stay in the countryside.

We also include a table showing the relative price of goods on the black market for the Russian Republic as a whole and how that figure compares to the price in government stores. Thus the meat price is 9 rubles on average throughout the Russian Republic which is four times higher than the price in state stores.

**Black Market Prices in the RSFSR as Compared to Government Prices (in rubles per kilogram or unit)**

| Product | Black Mkt price | Difference with government price |
|---|---|---|
| Meat | 9 | 4.0 times |
| Sausage | 19 | 3.0 times |
| Coffee | 15 | 2.5 times |
| Chocolate | 20 | 8.0 times |
| Woman's overcoat | 1,236 | 2.4 times |
| Cigarettes | 5 | 8.0 times |
| Books | 32 | 6.0 times |
| Color television | 2,021 | 2.4 times |
| Automobiles: | | |
| "Moskvich" type | 30,700 | 3.0 times |
| Medicines | 35 | 8.0 times |

**As of October 22, 1990**
**(rubles per kilogram)**

| City | beef | eggs (one dozen) | potatoes | cabbage | onions | apples |
|---|---|---|---|---|---|---|
| Moscow | 20.64 | 8.75 | 1.37 | 2.16 | 2.23 | 3.50 |
| Leningrad | 18.40 | 5.33 | 1.48 | 1.78 | 1.71 | 3.30 |
| Irkutsk | 10.00 | 2.00 | 1.50 | 1.50 | 1.80 | 5.00 |
| Orenburg | 8.00 | 2.00 | 0.80 | 0.80 | 1.00 | 3.00 |
| Volgagrad | 8.00 | 3.00 | 1.00 | 1.40 | 1.10 | 3.00 |

## The Soviet Authorities are Concerned About Not Only External Immigration Which They are Allowing, But Internal Immigration

More and more Russian citizens for example have decided to leave the different minority republics where they have been living in some cases for several decades and move instead to the Russian Republic where they feel safer. Thus according to one report in Moscow News, the number of indigenous inhabitants who left Uzbekistan reach 94,000 in 1989. This year the overall number from all of Central Asia who will move is expected to be greater than 200,000. This has meant in some cases that there are no personnel to service equipment. Thus there is no one available to operate two 300,000 kilowatt power units at a thermal electric plant in Uzbekistan. This is yet one other reflection of internal chaos.

**The Average Black Market Prices in the Soviet Union as Compared to Government Prices**
**(in rubles per unit)**

| Product | Black Mkt price | Difference with government price |
|---|---|---|
| Refrigerator | 900 | 2.2 times |
| Washing machine | 310 | 2.2 times |
| VCR | 5,300 | 2.6 times |
| Sewing machine | 600 | 2.7 times |
| Vacuum cleaner | 132 | 2.4 times |
| Bicycle | 186 | 1.9 times |
| Color television | 1,700 | 2.2 times |
| Automobiles: "Gaz" type | 30,000 | 3.6 times |

## The Latest Figures onPrivate Farms Are In

As of July 1, 1990, after almost three years of trying, there were only thirty thousand family and private farms in the Soviet Union. Over one-half were in the republic of Georgia, and one-third in Latvia, Lithuania and Estonia, but only 900 in the Russian Republic and twelve in the Ukraine. Please see table on the following page.

## NUMBER OF PRIVATE FARMS BY UNION REPUBLIC AS OF JULY 1, 1990:

| | |
|---|---|
| **USSR** | 29,547 |
| RSFSR | 900 |
| Ukraine | 12 |
| Belorussia | 21 |
| Uzbekistan | 1076 |
| Kazakhstan | 188 |
| Georgia | 16,516 |
| Azerbaidzhan | 24 |
| Lithuania | 1718 |
| Moldavia | -- |
| Latvia | 6974 |
| Kirghizia | 18 |
| Tadzhikistan | -- |
| Armenia | 2 |
| Turkmenia | -- |
| Estonia | 2098 |

## FOREIGN EXCHANGE RATES

as of November 7, 1990
Quoted in rubles

| | Official Rate | Commercial Rate | Special Rate |
|---|---|---|---|
| £100 Sterling | 107.95 | 323.80 | 431.80 |
| 100 Aust. Sch. | 5.25 | 15.75 | 52.50 |
| 100 D. Marks | 36.94 | 110.82 | 369.40 |
| 100 D. Guilders | 32.74 | 98.22 | 327.40 |
| 100 U.S. Dollars | 55.17 | 165.51 | 551.70 |
| 100 Fr. Francs | 11.00 | 33.00 | 110.00 |
| 1,000 Jap. ¥ | 4.34 | 13.02 | 43.40 |
| 10,000 It. Lire | 4.91 | 14.73 | 49.10 |
| 100 Swiss Frs. | 43.80 | 131.40 | 438.00 |
| 100 Nor. Kroner | 9.47 | 28.41 | 94.70 |
| 1,000 Bel. Frs. | 17.94 | 53.82 | 179.40 |
| 100 Sw. Kronor | 9.90 | 29.70 | 99.00 |

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